



County of Los Angeles  
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DAVID E. JANSSEN  
Chief Administrative Officer

March 20, 2006

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From: David E. Janssen  
Chief Administrative Officer

**MOTION TO SUPPORT SENATE BILL 1421 (MARGETT) – TWO YEAR PILOT PROJECT IN LOS ANGELES COUNTY TO INVESTIGATE POTENTIAL INCIDENTS OF FRAUD IN STAGE 2 AND STAGE 3 CalWORKs CHILD CARE PROGRAMS (ITEM NO. 75-C – AGENDA OF MARCH 21, 2006)**

Item No. 75-C on the March 21, 2006 Agenda is a motion by Supervisor Knabe to support SB 1421 (Margett). As introduced on February 22, 2006, SB 1421 would: 1) require the California Department of Education (CDE) to seek approval from the State Board of Education to conduct a two-year pilot in Los Angeles County to investigate potential incidents of fraud occurring in Stages 2 and 3 of the CalWORKs Child Care program; 2) declare legislative intent to increase communication and coordination between CDE's Child Development Division, the Los Angeles County District Attorney (DA) and the Los Angeles County Department of Public Social Services (DPSS); and 3) require DPSS to prepare and submit a report to the State Legislature upon completion of the pilot project.

The CalWORKs Child Care Program is administered in three stages. Stage 1 is funded by the California Department of Social Services (CDSS) and administered by DPSS. The California Department of Education (CDE) administers Stage 2 and Stage 3 under contracts with Alternative Payment Providers (APP). The APPs determine eligibility for child care recipients and providers and make payments to the child care providers. In Los Angeles County, CDE contracts with 13 APP agencies to provide Stage 2 and Stage 3 child care.

Allegations of fraud in Stage 1 are investigated by DPSS Welfare Fraud Investigators and/or DA Investigators. DPSS, the DA and the Child Care Alliance of Los Angeles are collaborating on protocols to prevent and detect child care fraud. However, DPSS and

the DA do not receive funds from CDE for the investigation of suspected fraud in Stage 2 and Stage 3 child care. Further, CDE is not a law enforcement agency; therefore, the department does not have authority to present suspected fraud cases to the DA for investigation or prosecution.

SB 1421 would establish a pilot project in Los Angeles County to investigate and refer suspected Stage 2 and Stage 3 child care fraud cases to the Los Angeles District Attorney. The pilot project also would provide data on the number, types and results of child care fraud investigations.

My office has reviewed SB 1421 in consultation with Senator Margett's staff, the DA, DPSS, and the Child Care Alliance of Los Angeles County. We have determined that the bill could be improved by clarifying that CDE is responsible for administering Stage 2 and Stage 3 child care and that CDE, rather than DPSS, should submit the report on the outcomes of the pilot project to the State Legislature. We also recommend the following amendments to SB 1421: 1) delete language which would require CDE to obtain approval from the State Board of Education to conduct the pilot project; 2) specify dates for the start and completion of the pilot project; 3) require CDE to consult with DPSS, the APPs and the DA to develop a plan to establish the pilot project, including criteria for investigating suspected fraud, restitution guidelines, criteria to determine which cases will be referred to the DA, and provide mechanisms to collect data and report outcomes; 4) specify that all State and local agencies shall cooperate in the pilot project by providing necessary information and documentation; and 5) specify that implementation of the pilot project is subject to an appropriation in the FY 2007-2008 Budget Act.

Current Board policy supports proposals designed to prevent and detect fraud in State-subsidized child care programs; however, there is no Board policy to support legislation to implement a CalWORKs Child Care fraud pilot project in Los Angeles County. **Therefore, support for SB 1421 is a matter for Board determination.**

At this time, there is no registered support or opposition on the bill. The DA has not yet taken a position. The Child Care Alliance of Los Angeles has indicated that they will support SB 1421 if amended to include the provisions listed above. The bill is scheduled to be heard in the Senate Human Services Committee on March 28, 2006.

DEJ:GK  
MAL:JF:VE:hg

c: District Attorney  
Executive Officer, Board of Supervisors  
County Counsel  
Department of Public Social Services  
The Child Care Alliance of Los Angeles